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# Avoiding 'ghost town': Saving Alabama's rural hospitals becoming a top campaign concern

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Southwest Alabama Medical Center in Thomasville, Ala., closed its doors to patients in August 2011. The hospital is one of five rural hospitals in Alabama which have closed since 2010, and officials anticipate more closures coming if solutions to a growing crisis are not addressed. In Thomasville, local leaders have overseen the finances to build a new hospital in the Clarke County community of 4,000 people. It will open in August 2019,

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avoiding ghost town. Saving Alabama's rural hospitals becomes the top campaign concern. AL.com anchored by a 1-cent sales tax increase. (file photo).

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By **John Sharp**, [jsharp@al.com](mailto:jsharp@al.com)

Confederate statues, the Ten Commandments, legalized gambling: They're tried-and-true political hot-buttons in the Alabama of recent times.

A discussion about Alabama's sickly rural hospitals is more nuanced and much less sexy. But, as more of the hospitals struggle to keep the lights on, there soon may be no avoiding it.

The state has had few resources, and few answers, to stop the bleeding: Five smaller towns have seen hospitals shut down just since 2010, among 87 such closures nationally.

And several other communities have had close calls. In Haleyville, Thomasville and Camden, local leaders jumped in to increase sales taxes to stabilize hospital books or to get new hospitals up and running to replace ones that gone dark.

In Sumter and Chilton counties, voters themselves green-lighted new sales taxes for hospitals, decisions that won wider attention simply because of the Alabama electorate's well-known aversion to tax increases of any kind.

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But politicians will tell you that, in much of rural Alabama, hospitals are community bedrocks. If it's abandoned and empty, what does that say about the community's own future?

"When an area is suddenly without a hospital, the chances of becoming a ghost town are significantly increased unless local leaders and legislators unite to address it," said state Rep. Randall Shedd, R-Cullman. "And even then, they need the state to be a partner."

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Alabama has proven to be a difficult landscape for rural hospitals, underscored by Medicaid reimbursement rates that remain among the lowest in the country.

Almost all of the state's rural hospitals are cash-strapped, and operating with deficits. The alarming facts are reflected in an Alabama Hospital Association survey of hospital CEOs two years ago. Among the findings:

- 88 percent of the rural hospitals were operating in the red, meaning revenue received for patient care wasn't enough to cover the cost of care.



- The vast majority of hospitals were keeping their heads above water thanks to investment income and charitable donations. But a quarter of the hospitals had encountered slippage charitable donations.
- 63 percent were treating larger numbers of uninsured patients. And 48 percent reported an increase in Medicaid - or low-income - patients.
- 72 percent were seeing more patients flowing into emergency rooms, a high-cost activity for hospitals to shoulder. Meanwhile, 53 percent had experienced a drop in regular inpatient admissions.

"If all things stay the same, I predict our hospitals won't make it through next year," said Danne Howard, chief policy officer with the Alabama Hospital Association, which is launching a campaign next week in support of expanding Medicaid through the 2010 Affordable Care Act, better known as "Obamacare."

Said Howard, "I've been with the hospital association 23 years and have never seen things so fragile as they are now."

## Political solutions

The Medicaid expansion question is entering the state's 2018 election arena as well.

In the gubernatorial race, Democratic nominee Walt Maddox promises to expand Medicaid on "Day 1." His pledge: Call a special session and unveil a financial plan to pay for the expansion, as well as addressing other issues his campaign is talking about, such as a lottery.



Medicaid expansion is also likely to surface in the 2020 race for U.S. Senate: Sen. Doug Jones, D-Birmingham, favors it, while his possible Republican opponent, U.S. Rep. Bradley Byrne, R-Fairhope, says the state would have to up taxes to do so.

But both Jones and Byrne are advocating for changes in the wage index, which is a formula that determines reimbursements from Medicare, and has left Alabama's hospitals with the lowest reimbursement rate in the country.

Byrne said the current system favors urban hospitals. He said, "It's a 20 percent discrepancy. You can be at South Baldwin (Regional Medical Center in Foley) and get an MRI and the hospital will be reimbursed 20 percent less than a hospital in Pensacola. That doesn't make any sense at all."

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In the gubernatorial race, Maddox is starting to make Medicaid expansion a central theme during speeches.

"Funding for all hospitals depends primarily on insurance reimbursements," said Chip Hill, Maddox's campaign spokesman. "Medicaid expansion adds a major layer of



insurance coverage and reimbursements for patients who currently don't qualify for Medicaid yet cannot in reality afford insurance. Their treatments are not reimbursed, which adds enormous strains to hospital budgets."



Democratic gubernatorial candidate Walt Maddox talks with supporters during a meet and greet Saturday, August 18, 2018, in Brewton, Ala. (Mike Kittrell/AL.com)

Maddox, if elected, would face a difficult situation in pushing a Medicaid expansion through the Republican Legislature unless he finds the revenue sources to compensate for the new expense.

Expansion talks have gone nowhere, thus far, at the Statehouse. In 2016, lawmakers dipped into the state's BP oil spill settlement to patch an already-existing \$85 million Medicaid funding gap.



Former Gov. Robert Bentley once pegged the Medicaid expansion cost at around \$710 million for six years. Alabama is one of 14 states that have opted not to go along with the expansion.

Hill did not dive into details of the Maddox team's funding plan, other than to say it, along with a state lottery and legalized gambling, would be revealed at a special session. "Watching hospitals close around the state -- and several communities entertaining new taxes to keep their local hospitals open -- is all the information we need to know it's long past time to take action," he said.

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Maddox's opponent, Republican Gov. Kay Ivey, has assembled a three-member team that will produce a report recommending ways to address rural health woes. This working group has been traveling the state and meet with health professionals and to gather information. There is no timetable on when the report will be finished.

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The team includes Medicaid Commissioner Stephanie Azar, Alabama's Health Officer Dr. Scott Harris, and David White, senior policy adviser to Ivey.



Alabama Gov. Kay Ivey will await a report back from a three-member team that is examining Alabama's rural health concerns. (file photo)

"This is a very complex issue that touches and affects many components of the healthcare system in Alabama," said Azar. "As more information is obtained on the struggles facing rural healthcare, it is our goal to consider potential solutions to address this important issue."

Thus far, the Ivey administration has proposed new work requirements for some able-bodied Medicaid recipients, a move that would require federal approval, and would affect only a small fraction of Medicaid recipients.

But it's a similar strategy that is playing out in conservative states that have yet to expand Medicaid under ObamaCare. States which have passed Medicaid expansion -- Arkansas, Indiana and New Hampshire -- have federally-approved



work requirement waivers in place. Non-expansion states -- like Utah, Mississippi, South Carolina, Tennessee, and others -- want to require recipients to work.

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The federal government gave Kentucky permission in January to impose work-related requirements for Medicaid, but a judge blocked the program in June. The Republican governor is now considering eliminating the expansion, and saving the state \$300 million.

"Alabama would be following in a fine tradition of reflecting on the common judgement of what is fair by putting a requirement in there," said Len Nichols, a health economist at George Mason University's Center for Health Policy Research and Ethics and the former health care adviser to President Bill Clinton. "The question becomes, 'Can you make the requirements and judgements reasonable?' I believe there are quite a few cases that there are. But that is the thing it could take to help more people to get access to health care." 1 

## Legislative solutions

Alabama Republican lawmakers, especially those representing rural constituents in areas where hospitals are facing financial distress, say the work-related requirements are important. They anticipate the fate of rural hospitals becoming a hot topic of discussion and debate during the 2019 legislative session.

"We need to make it a priority to put people to work and hopefully for people to come off Medicaid rather than put people on it," state Rep. David Standridge, R-Hayden, and chairman of the House Rural Caucus, said.

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According to The Henry J. Kaiser Family Foundation, only 6 percent of those on Medicaid would have to get a job or participate in training or volunteer activities to meet the new work-requirement rules pushed in states like Alabama. Of those on Medicaid, 43 percent are working full-time and 19 percent are working part-time, the group's research found.

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Said Standridge: "I think that is the reason we have to do job training and all of these other things for people so they can get good-paying jobs and not just a working-poor job.

We need to look to the future to move those people out of that class."

But Standridge and Shedd of Cullman, both say that all options on rural health care remain "on the table." Shedd noted that in Georgia, which has not adopted an expansion of Medicaid, state lawmakers endorsed a bill authorizing the concept of "micro-hospitals." This program allows that if a hospital in a county of fewer than 50,000 people closed or is closing within 12 months, a neighboring hospital can buy the rights to operate it, but on a smaller scale.

Media reports indicate that it's unclear how much interest there is in the program.

"We'll see how that works out," said Shedd.

Shedd said he believes the issue will be a priority for House leaders next spring. "I think the Legislature will be proactive this coming year and I expect legislators from rural areas to stick together to make sure solutions are found," he said.

Standridge said he's looking forward to the governor's report coming back to lawmakers, saying that it would be "good to hear a report about the state in general" and that it would be a good resource.

But the report, according to the Hospital Association's Howard, should include plenty of references from hospital officials advocating for Medicaid expansion.

It's unclear whether expanding Medicaid would be endorsed under Ivey's administration, if she's elected in November. Ivey's spokespeople did not respond to requests for comments.

"That was the first thing out of everyone's mouth when meeting with (Azar) and (Harris)," she said. "It was the No. 1 thing that everyone brought up that could be one of the things that could help our rural hospitals survive."

Howard admits that hospital administrators "don't have all the answers" when it comes to finding revenue sources to pay for it. Instead, they are advocating for the economic benefits of expansion which includes boosts to the state budget, and improve the state's lagging rankings in obesity, infant mortality rates, among other issues.

William Ferniany, CEO of the University of Alabama at Birmingham Health System, said there isn't a hospital administrator in the state who doesn't support Medicaid expansion. But, he said, it's an issue that goes beyond the governor's race.



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"It takes the Legislature to do it, you have to have \$200 million to fund it," said Ferniany. "More than anything we talk about, that will be needed to expand rural hospitals."

For now, Ferniany and the UAB Hospital System are rolling out a new resource center that was approved by lawmakers last spring. The new center will support nonprofit, rural and public hospitals in the state that are facing economic pressures.

But the legislation establishing the new center came without funding, and Ferniany said that staffing it will be important for lawmakers next year. He said it will take "less than \$1 million" from the state.

"It's designed to be a support structure," said Ferniany. "If a rural hospital is part of a large system like Community Health or with us, they will get (that support) anyway. But this is designed for community hospitals who are independent and need resources."

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He added, "What happens in rural health care is critical because if (the state) hopes to attract good industry, they need a good health system. It's also the largest employer in

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the community. And if you have an emergency, you need a place to go. You don't need a place two hours away."

## Local taxation

Prospects of long drives to emergency rooms and acute medical facilities were what was keeping a worried Haleyville Mayor Ken Sunseri up until 4 a.m. some days. A year ago, the mayor was dealing with the likelihood that the 59-bed Lakeland Community Hospital was shutting its doors.

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"We were 50 minutes to an hour and 10 minutes away to the closest emergency room," said Sunseri. "It was critical."

Indeed, the Northwest Alabama city of slightly more than 4,000 residents had to scramble and find creative financing mechanisms to afford to keep Winston County's only hospital open.

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The process happened fast. In November 2017, the hospital announced its closure due to dwindling reimbursements. One month later, Haleyville leaders approved a 1-cent sales

tax, which Sunseri says will bring anywhere between \$850,000 to \$950,000 annually. The revenue is dedicated solely for the hospital: A loan repayment for purchasing the building, and a subsidy to pay for its operations.

Voters in this conservative county where nearly 90 percent backed Donald Trump for president in 2016, didn't blink an eye about the tax, the mayor said.

"We put it in place in January and it went into effect in February," said Sunseri. "I did not receive one phone call over it. As a matter of fact, I've had people stop me at Walmart and the grocery store - and this is coming from people who have never support me before - telling me how much they appreciated the fact that we've done that."

He added, "You have to realize, without a hospital, first of all, workman's compensation goes through the roof. In order to recruit industry here, we need health care available. A hospital is a vital part of economic development and the sustainment of a community."

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In Thomasville, a Clarke County city of 4,000 residents, a \$36 million hospital is under construction and will open next August thanks, in large part, with a sales tax increase. The 1-cent hike will raise enough revenue to support the \$19 million dedication the city made toward building a new hospital that replaces Southwest Alabama Medical Center, which closed in 2011.

Thomasville Mayor Sheldon Day said that the closure had little to do with the low volume that harms rural hospitals nationwide. Instead, he said the issue had more to do with a "problem" with the medical center's former owner.

"The day our hospital closed, it had 15 patients in it," said Day. "Most hospitals around us will tell you, 'Glory Hallelujah' if they had 15 patients a day. It's a difference set of circumstances."

Day said his community simply could not wait for the state to decide if it was investing in rural health care. He also said the days of the "little private provider" operating a rural hospital in Alabama without government help "is a thing of the past."

Said Day: "Whether folks agree with what we are doing or not, I hope we can have some consideration that we are at least not sitting down and waiting on the state and federal government to do something."

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But in Wilcox County, which is the poorest county in Alabama and among the poorest in the country, a 1-cent sales tax to keep J. Paul Jones Hospital in Camden afloat is "a burden," according to the County Commissioner John Moulton.

"We had no choice," said Moulton. "We'd definitely love to receive some help especially with our hospital so we can take this regressive tax off the books."

Wilcox County adopted a 1-cent sales tax to keep the hospital open after its acute care facility targeted for closing in 2017.

"I'd love to see the Legislature step up and do more for a rural hospital," said Moulton. "The Medicaid expenses really hurt the communities like ours."

Moulton said he would like to see Ivey, a Wilcox County native, "step up" on the issue and roll out a plan. Otherwise, he said, an annual \$700,000 tax burden will continue in a county where 48 percent of youths under age 18 are below the federal poverty line.

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"There is really no reason why we shouldn't (expand Medicaid)," said Moulton. "It's life and death. That is what it boils down to."

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